

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA - WESTERN DIVISION  
HONORABLE JOHN F. WALTER, U.S. DISTRICT JUDGE

UNITED STATES OF AMERICA, )  
 )  
 PLAINTIFF, ) CASE NO.  
 )  
 vs. ) CR 20-326A-JFW  
 )  
 )  
 DAE YONG LEE, )  
 940, LLC, ) PAGES 1 TO 38  
 )  
 DEFENDANTS. )  
 )

REPORTER'S TRANSCRIPT OF  
TRIAL SETTING CONFERENCE VIA VIDEOCONFERENCE  
TUESDAY, DECEMBER 8, 2020  
8:05 A.M.  
LOS ANGELES, CALIFORNIA

**MIRANDA ALGORRI, CSR 12743, RPR, CRR**  
FEDERAL OFFICIAL COURT REPORTER  
350 WEST 1ST STREET, SUITE 4455  
LOS ANGELES, CALIFORNIA 90012  
MIRANDAALGORRI@GMAIL.COM

1 APPEARANCES OF COUNSEL:

2

3 FOR THE PLAINTIFF:

4

NICOLA T. HANNA  
UNITED STATES ATTORNEY  
BY: VERONICA DRAGALIN  
BY: MACK JENKINS  
BY: MELISSA MILLS  
Assistant United States Attorneys  
United States Courthouse  
312 North Spring Street  
Los Angeles, California 90012

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7 FOR THE DEFENDANTS:

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BIRD, MARELLA, BOXER, WOLPERT, NESSIM, DROOKS, LINCENBERG &  
RHOW, P.C.  
BY: ARIEL NEUMAN  
BY: JIMMY THREATT  
1875 Century Park East  
23rd Floor  
Los Angeles, California 90067

1 | LOS ANGELES, CALIFORNIA; TUESDAY, DECEMBER 8, 2020

8:05 A.M.

— — —

5 THE COURT: We are on the record. The clerk will  
6 call the case.

7 THE CLERK: United States District Court, Central  
8 District of California, Honorable John F. Walter presiding.  
9 Case No. CR 20-326, United States of America versus  
10 Dae Yong Lee.

11 | Counsel, please state your appearances.

12 MS. DRAGALIN: Good morning, Your Honor.

16 MR. NEUMAN: Good morning, Your Honor.

17 Ariel Neuman and Jimmy Threatt specially  
18 appearing for Mr. Lee this morning. And I couldn't hear the  
19 Court clerk. I'm not sure if the Court is also calling this  
20 matter to 940 Hill, LLC, this morning. If so, we are also  
21 specially appearing for them.

22 THE COURT: Yes. We also are calling the matter  
23 for 940, LLC. You indicate you're specially appearing?

24 MR. NEUMAN: Yes, Your Honor. We are in the  
25 process of finalizing some retention issues and should have

1 that all done hopefully by the end of today.

2 THE COURT: All right.

3 MR. NEUMAN: Your Honor, if I --

4 THE COURT: This is on the Court's calendar for a  
5 Trial Setting Conference for Mr. Lee and for 940 Hill, the LLC,  
6 which, according to paragraph 22 of the First Superseding  
7 Indictment, is a California limited liability company that was  
8 registered in June 2008 and in that same year acquired property  
9 that was located at 940 South Hill Street. Mr. Lee, as alleged  
10 in paragraph 23, is a real estate owner and developer who was  
11 also the majority owner of 940, LLC.

12 Before I go on, however, does -- Mr. Neuman, does  
13 Mr. Lee require the services of an interpreter?

14 MR. NEUMAN: Yes, Your Honor. That is what I was  
15 going to note. He does, and as I understand --

16 THE COURT: We do have an interpreter present.  
17 Would that interpreter please announce her appearance.

18 THE INTERPRETER: Yes, Your Honor. This is  
19 Catheline Jung, Korean interpreter appearing.

20 THE COURT: Would you spell your name for the  
21 record, please?

22 MR. NEUMAN: Your Honor, may I make a request  
23 regarding the interpreter, please?

24 THE COURT: Yes.

25 MR. NEUMAN: Yesterday during the initial

1 appearance, afterwards I learned that, because of the  
2 technology issues that we are dealing with, Mr. Lee could not  
3 understand who was talking at what point since he is just  
4 hearing the voice of the interpreter. So if there is any way  
5 that, as people talk today, they can just identify themselves,  
6 I think that would help him identify who is speaking.

7 THE COURT: All right. Well, we are going to  
8 have very few participants today. It is going to be myself and  
9 the prosecutor who is going to speak on behalf of the  
10 Government. So I'm sure that the interpreter can -- will be  
11 able to interpret that and Mr. Lee will be able to hear the  
12 proceedings.

13 So would the interpreter please spell her name  
14 for the record.

15 THE INTERPRETER: Yes. Catheline Jung, last name  
16 Jung, J-u-n-g, Catheline, C-a-t-h-e-l-i-n-e.

17 THE COURT: All right. Thank you very much. And  
18 I will continue.

19 I was discussing that, based upon paragraph 23 of  
20 the First Superseding Indictment, Mr. Lee was or is alleged to  
21 be the majority owner of the 940, LLC, and the property that  
22 was going to be developed or was developed -- I'm not sure the  
23 status -- was a 14,000 square foot commercial space and  
24 200 residential units.

25 Before I discuss with Mr. Neuman the dates that

1 the Court has previously set in this action and the Criminal  
2 Trial Order as modified by docket No. 63, I'm going to ask the  
3 prosecutor to advise us of what the Government expects to prove  
4 with respect to these defendants.

5                   Before I continue, however, I want to advise  
6 everyone who is listening on this call this morning --  
7 apparently there was some confusion with respect to whether or  
8 not the proceedings can be recorded either audio or video. I  
9 want to make it clear that they cannot be recorded either audio  
10 or video. Our local rule prohibits such a recording.

11                   So who is going to speak for the Government this  
12 morning?

13                   MS. DRAGALIN: I will, Your Honor.

14                   THE COURT: Pardon me?

15                   MS. DRAGALIN: I will, Veronica Dragalin.

16                   THE COURT: All right. Let's begin.

17                   My observations with respect to the First  
18 Superseding Indictment is that, unlike the discussion of the  
19 circumstantial evidence that the Government intends to offer  
20 against Mr. Chan we had on Friday with Mr. Jenkins, it appears,  
21 based upon the cooperation plea agreements that have been  
22 entered into by Mr. Kim and Mr. Esparza that, as to Mr. Lee and  
23 940 Hill Street, LLC, there appears to be direct evidence of  
24 bribery relating to an appeal filed by what is described in the  
25 First Superseding Indictment as Labor Organization A. And that

1 appeal apparently was filed in August of 2016, and that appeal,  
2 according to the allegations of the First Superseding  
3 Indictment, threatened the development of the Hill Street  
4 project.

5 Obviously I want to hear from the Government with  
6 respect to all of the circumstances surrounding that appeal and  
7 the disposition of that appeal. But I also want to confirm  
8 that, with respect to the other schemes that are alleged in the  
9 RICO conspiracy as well as the mail fraud, the L.A. Grand Hotel  
10 bribery scheme, the Luxe Hotel bribery scheme, the Project M  
11 bribery scheme, and the Businessperson A scheme, that the --  
12 that Mr. Lee and Defendant 940 Hill, LLC, are not involved in  
13 any of those schemes; is that correct?

14 MS. DRAGALIN: Yes, Your Honor, as to the latter  
15 point. Those two defendants are only charged in one scheme.

16 THE COURT: I'm sorry. I didn't hear the last  
17 part. The quality of the microphone that you are speaking from  
18 is awful. So you are going to have to get closer to it. I  
19 wish that the Government would invest in some decent  
20 microphones for these Zoom conferences.

21 So is my statement correct?

22 MS. DRAGALIN: Yes, Your Honor.

23 THE COURT: All right. So why don't you tell us  
24 then what the Government expects to prove with respect to the  
25 allegations in the First Superseding Indictment.

1                   I guess the first question I have is who are the  
2 other members of the LLC, and what is the name of the Labor  
3 Organization A that is alleged to have filed the appeal, and  
4 describe the relationship between Justin Kim and Mr. Lee and  
5 City Staffer A who apparently prepared a memorandum for  
6 Mr. Huizar with respect to the appeal, whether or not he was  
7 aware of the alleged bribe and Mr. Lee's business associate  
8 that met with Mr. Huizar, Mr. Esparza, and Mr. Kim on  
9 January 17th, 2017 at city hall, and also what was Lobbyist C's  
10 involvement in or knowledge of the bribe that the Government  
11 alleges the \$500,000 bribe that was paid, and who was the close  
12 associate of the -- or who was the executive director of the  
13 Labor Organization who apparently had the close relationship  
14 with Lobbyist C?

15                   So, in any event, I will let you tell us what the  
16 Government expects to prove in this case.

17                   MS. DRAGALIN: Yes, Your Honor.

18                   As to the minority owners of the LLC, there are  
19 two -- as far as the Government understands it currently, there  
20 are two additional owners, individuals, who own less than  
21 50 percent of the interest in the LLC. The U.S. Attorney's  
22 Office and FBI have interviewed both of those individuals, and  
23 we expect their testimony will be that those two individuals  
24 had no knowledge about a \$500,000 payment being made to  
25 George Esparza and Jose Huizar to help with this appeal.

1                   Regarding City Staffer A-2 who is mentioned in  
2 overt act 87, there is no evidence to suggest that City  
3 Staffer A-2 knew about any of the bribe payments or agreements  
4 made in this scenario.

5                   In terms of associates of David Lee,  
6 Defendant Lee, and individuals who worked on the 940 Hill  
7 project, again, at this time there is no evidence that those  
8 associates or individuals had knowledge of a corrupt bribery  
9 agreement.

10                  The Government's allegations at this time is that  
11 there were four co-conspirators involved in this corrupt  
12 agreement. Those would be Jose Huizar, George Esparza,  
13 Justin Kim, and Defendant Lee.

14                  Justin Kim operated as a consultant, albeit, in  
15 an informal matter. Records produced by the LLC do not  
16 indicate that there was a formal consulting agreement or that  
17 there were formal documented payments to Justin Kim. However,  
18 e-mail correspondence, text message correspondence all  
19 corroborate that Justin Kim was functioning as some type of  
20 consultant primarily representing him to have direct access to  
21 Jose Huizar. He coordinated and scheduled meetings with  
22 Jose Huizar including --

23                  THE COURT: Is this before the Labor Organization  
24 in August of 2016 appeal? Because it looks like, based upon  
25 the chronology, that the property was acquired for \$9 million

1 in June 2008. When was the actual development commenced for  
2 which Mr. Kim's services as a consultant were used?

3 MS. DRAGALIN: Mr. -- we expect Justin Kim to  
4 testify that he had been working for years to try to become a  
5 hired consultant for David Lee on his various projects in  
6 Los Angeles. However, it was not until around August 2016 that  
7 Defendant Lee reached out to Justin Kim to seek his help with  
8 this particular project. So there is --

9 THE COURT: Okay. And that particular help was  
10 with respect to the August 8, 2016, appeal that was filed by  
11 Labor Organization A; correct?

12 MS. DRAGALIN: That is correct, Your Honor. The  
13 appeal --

14 THE COURT: What was the nature of that appeal?

15 MS. DRAGALIN: The project had passed one of the  
16 hearings in approvals by the Planning Department. The next  
17 step was for the project to move on in its hearings before the  
18 City, and at that time, after the Planning Department had  
19 approved the project, the Labor Organization filed an appeal on  
20 environmental grounds.

21 THE COURT: It was an alleged violation or an  
22 allegation that the project was not in compliance with the  
23 California Environmental Control Act?

24 MS. DRAGALIN: That is correct, Your Honor.

25 THE COURT: All right. And so Mr. Lee, according

1 to the Government's theory, reached out to Mr. Kim in order to  
2 obtain assistance in connection with that appeal; is that  
3 correct?

4 MS. DRAGALIN: Yes, Your Honor. As demonstrated  
5 by an e-mail from Defendant Lee to Justin Kim forwarding a copy  
6 of the appeal, and that e-mail serves as the basis for the wire  
7 fraud on a services fraud count in the Indictment. That e-mail  
8 was then forwarded from Justin Kim to George Esparza.

9 THE COURT: All right. So it looks like there  
10 were, according to the First Superseding Indictment, several  
11 calls, meetings between Mr. Lee and Mr. Kim, Mr. Huizar and  
12 Mr. Esparza including the dinner meeting and the visit to a  
13 karaoke bar in September of 2016.

14 When was the, according to the Government's  
15 evidence, agreement reached with respect to what Mr. Lee and  
16 his company were going to provide to the other co-conspirators  
17 with respect to -- not the other but Mr. Huizar in terms of the  
18 \$500,000 bribe that has been alleged by the Government?

19 MS. DRAGALIN: Your Honor, the negotiations,  
20 according to the evidence, took several months of  
21 back-and-forth in terms of initial offers and counteroffers,  
22 and ultimately the \$500,000 amount -- we expect George Esparza  
23 and Justin Kim will testify that that final agreement was  
24 reached in sometime late January or early February 2017.

25 THE COURT: Who arrived at the conclusion, if

1 they did, that the favorable resolution of the labor  
2 organization's appeal would have saved Mr. Lee's company  
3 \$30 million?

4 MS. DRAGALIN: We expect George Esparza to  
5 testify that he had conversations with a lobbyist referred to  
6 as Lobbyist C with experience in the City who represented to  
7 George Esparza that a Labor Organization appeal requiring a  
8 company to use labor unions on its construction project could  
9 increase the cost of the project of up to \$30 million.

10 THE COURT: All right. So the ultimate amount of  
11 the bribe that is alleged in overt act No. 96 took the form of  
12 a counteroffer by Mr. Kim that was conveyed to Mr. Esparza and  
13 allegedly was approved or agreed to by Mr. Lee for \$500,000 in  
14 cash, and that was going to be divided 300,000 to Mr. Huizar  
15 and \$200,000 to Mr. Kim.

16 Is that the Government's theory?

17 MS. DRAGALIN: That is correct, Your Honor.

18 THE COURT: Mr. Huizar, according to allegations  
19 in the Indictment, expected that the appeal would be denied in  
20 the PLUM Committee of which Mr. Huizar was on that committee,  
21 and he may have even been the head of that committee. But what  
22 I don't understand, on March 3rd, 2017, the appeal was --  
23 according to the Government's allegations, the appeal was  
24 dropped. Did Mr. Huizar vote on the appeal in the  
25 PLUM Committee, or was the appeal somehow dropped without the

1 necessity of a vote?

2 MS. DRAGALIN: Your Honor, we expect  
3 George Esparza to testify and his contemporaneous  
4 communications confirm that George Esparza and Jose Huizar  
5 agreed to make the appeal go away, and they had various options  
6 of how to make that happen. Their last resort option was that,  
7 if the appeal came before the PLUM Committee, Jose Huizar had  
8 the power to deny the appeal in that committee. However,  
9 Jose Huizar also had relationships and influence over persons  
10 associated with the Labor Organization, and the ultimate road  
11 or option they chose to make the appeal go away was to ask  
12 people close to the Labor Organization to drop the appeal for  
13 various business reasons and in negotiations with that  
14 Labor Organization.

15 THE COURT: That is what is confusing to me. Who  
16 are involved in those negotiations? It looked like it was  
17 Lobbyist C according to the allegations in the First  
18 Superseding Indictment --

19 MS. DRAGALIN: That is correct.

20 THE COURT: -- that were involved in those  
21 negotiations. And apparently Lobbyist C -- has his name been  
22 disclosed or her name been disclosed?

23 MS. DRAGALIN: It has not been publicly disclosed  
24 yet, Your Honor. It was disclosed in the under seal filing  
25 that the Government filed last week.

1                   THE COURT: Right. I understand that. I just  
2 want to be careful because I do have that.

3                   It appears -- and correct me if I'm wrong -- that  
4 the Government's evidence is going to show that Lobbyist C was  
5 a close associate of executive -- the executive director of  
6 Labor Organization A.

7                   MS. DRAGALIN: That is correct.

8                   THE COURT: And that it was the result of  
9 Lobbyist C's efforts that ultimately resulted in the appeal  
10 being dropped by this Labor Organization A.

11                  MS. DRAGALIN: Your Honor, Lobbyist C was  
12 actually the lobbyist for Labor Organization A. So not only  
13 was it a close associate, Lobbyist C, in fact, in effect  
14 represented Labor Organization A. And so, when George Esparza  
15 and Jose Huizar were meeting with and dealing with Lobbyist C,  
16 they were in effect negotiating with or dealing with the  
17 Labor Organization who filed the appeal.

18                  THE COURT: All right. And what was the  
19 consideration, if any, that was paid to either Lobbyist C or  
20 the executive director or the Labor Organization A? Was there  
21 any monies that were paid in connection with the dropping of  
22 the appeal?

23                  MS. DRAGALIN: There is no evidence to suggest  
24 that any money or other form of consideration was paid to the  
25 organization or the lobbyist.

1 THE COURT: And why would they drop the appeal?

2 MS. DRAGALIN: We expect George Esparza to  
3 testify that part of the negotiation was Jose Huizar and  
4 George Esparza promising that they would lobby for the  
5 Labor Organization for a future project, in other words,  
6 essentially equivalent to political logrolling. So the  
7 Government's theory is not that that aspect of the negotiations  
8 was itself corrupt.

20 MS. DRAGALIN: Yes, Your Honor.

21 As to March 14th, in particular, data seized from  
22 George Esparza's phone shows that he drove to the location of  
23 Defendant Lee's office in downtown Los Angeles, and text  
24 messages show that George Esparza and Justin Kim met outside of  
25 that office in George Esparza's car. Shortly after that

1 meeting, there are photographs that were taken on  
2 George Esparza's phone showing sums of cash in \$100 bills  
3 stacked in stacks of \$10,000. Metadata on those photographs  
4 shows that they were -- the photographs were taken just a  
5 couple hours after George Esparza drove to Defendant Lee's  
6 office. In addition, metadata from the phone shows that  
7 George Esparza then took cash to Jose Huizar's home and --

8 THE COURT: How much cash did Mr. -- I take it it  
9 was Mr. Kim that provided the cash to Mr. Esparza?

10 MS. DRAGALIN: Yes. Both Justin Kim and  
11 George Esparza will testify that they exchanged cash in the  
12 car.

13 THE COURT: How much cash did Mr. Kim give to  
14 Mr. Esparza?

15 MS. DRAGALIN: In total, George Esparza received  
16 about 200- to \$250,000 from Justin Kim.

17 THE COURT: And out of the \$400,000 Mr. Kim was  
18 to -- he was going to keep how much? 200,000?

19 MS. DRAGALIN: Between 150- and 200,000.

20 THE COURT: Okay. So what does Mr. Esparza do  
21 with the -- I take it the Government has the photographs that  
22 you just referred to from the phone of the cash?

23 MS. DRAGALIN: Yes, Your Honor.

24 THE COURT: They will be introduced into  
25 evidence?

1 MS. DRAGALIN: Yes, Your Honor.

2 THE COURT: All right. So what happens --

3 Mr. Kim takes -- Mr. Kim is now in the possession of a certain  
4 amount of cash, 150- to \$200,000. Mr. Esparza now has  
5 \$200,000. What does Mr. Esparza do with respect to the  
6 \$200,000 in cash, vis-à-vis, Mr. Huizar, if anything?

7 MS. DRAGALIN: George Esparza puts some of the  
8 cash, about 100- to \$130,000, in a liquor bottle. He then took  
9 photographs and videos --

10 THE COURT: Wait a minute. A liquor bottle?

11 MS. DRAGALIN: Sorry. I misspoke, Your Honor. A  
12 liquor bottle box. So --

13 THE COURT: Okay. I was going to say it's pretty  
14 hard to get that much cash into the liquor bottle.

15 MS. DRAGALIN: Yes. No. It was a box of which  
16 we also have photo evidence. He then documented via  
17 photographs and video himself taking the box of cash to  
18 Jose Huizar's residence. In fact, at some point he takes  
19 photographs of himself walking up the steps of Jose Huizar's  
20 house holding the liquor box of cash. He also takes a video  
21 narrating that he is taking cash to Councilman Huizar's home at  
22 his direction.

23 THE COURT: Was he -- what month and year was  
24 this?

25 MS. DRAGALIN: This was March 2017.

1 THE COURT: And why was he documenting this  
2 delivery? Was he cooperating with law enforcement at that  
3 time?

4 MS. DRAGALIN: No, Your Honor. He was not.

5 THE COURT: What was his motivation for this --  
6 what appears to be a document that he was producing?

7 MS. DRAGALIN: Your Honor, we expect  
8 George Esparza to testify that, among the various different  
9 things he agreed to do with Jose Huizar and for Jose Huizar,  
10 this to him felt the most dangerous and criminal. He,  
11 therefore, wanted to document it so that, if some day he got  
12 caught, there would be documentary evidence of the fact that he  
13 was following his boss's orders and doing these things for  
14 Jose Huizar. We expect he will testify that was his  
15 motivation.

16 THE COURT: So he was building himself a defense?

17 MS. DRAGALIN: It's hard to maybe fully  
18 understand the motivation of someone engaged in this type of  
19 behavior, but we expect that to be his testimony.

20 THE COURT: All right. Well, what happens with  
21 this -- according to the Government's evidence, and I guess  
22 it's through the testimony of Mr. Esparza. What happens at the  
23 meeting with Mr. Huizar? Does Mr. Esparza leave any of the  
24 cash with Mr. Huizar?

25 MS. DRAGALIN: No, Your Honor. George Esparza

1 will testify that, after showing Jose Huizar the cash to prove  
2 that Justin Kim and Defendant Lee came through with their side  
3 of the bargain, Jose Huizar asked George Esparza to hold on to  
4 the cash at George Esparza's residence which George Esparza  
5 agreed to do.

6 THE COURT: And ultimately what happened to that  
7 cash? Did Mr. Huizar end up with any of that cash?

8 MS. DRAGALIN: In June and July 2017, a few  
9 months later, the FBI reached out to George Esparza to  
10 interview him. After those events, George Esparza -- we expect  
11 George Esparza to testify that he was in fear of getting  
12 caught, so he wanted to get rid of the cash. He then provided  
13 the cash to a different individual, an individual identified as  
14 Executive Director E --

15 THE COURT: "E" as in Edward?

16 MS. DRAGALIN: "E" as in Edward.

17 THE COURT: And what did -- executive director --  
18 whose executive director was Executive Director E? How did  
19 Mr. Esparza happen to pick that individual?

20 MS. DRAGALIN: That individual was the right-hand  
21 person of Chairman Wei Huang, Defendant Huang, charged in the  
22 L.A. Grand Hotel scheme. George Esparza and Executive  
23 Director E developed a corrupt relationship that involved  
24 accepting casino chips at Las Vegas casinos and other benefits.  
25 So George Esparza chose that individual to be the one to hold

1 on to this illicit cash which Executive Director E agreed to  
2 do.

3 THE COURT: And his name has not been publicly  
4 disclosed; correct?

5 MS. DRAGALIN: Correct. It has not, Your Honor.

6 THE COURT: All right. So what -- so ultimately  
7 does Mr. Huizar end up with his alleged share of the bribe that  
8 the Government believes was paid by Mr. Lee?

9 MS. DRAGALIN: No, Your Honor. Jose Huizar does  
10 not ever take possession of the cash. The cash was, in fact,  
11 actually turned over to the Government as part of this  
12 investigation. And so, no, it never reached Jose Huizar.

13 THE COURT: So Executive Director E turned over  
14 the money that Mr. Huizar gave him to the Government?

15 MS. DRAGALIN: Yes, Your Honor.

16 THE COURT: And then what about Mr. Kim? He's  
17 now walking around with what? Couple hundred thousand dollars  
18 in his pocket from this transaction. What happened to that  
19 money?

20 MS. DRAGALIN: Justin Kim will testify that he  
21 used that cash in his -- for personal expenses and deposited  
22 small amounts of that cash in bank accounts himself and through  
23 family members.

24 THE COURT: All right. It looks like there's --  
25 did Mr. Huizar express, according to the Government's evidence,

1 any concern about not receiving his share of the \$200,000?

2 MS. DRAGALIN: Yes, Your Honor. He sent repeated  
3 text messages, some of which are described in the Indictment.  
4 However, there are additional communications and additional  
5 evidence to corroborate the Government's theory that  
6 Jose Huizar kept asking for his share of the \$200,000 cash  
7 bribe including by sending -- by himself visiting  
8 George Esparza's -- one of George Esparza's family members'  
9 homes, something that was captured on a Ring camera asking for  
10 -- to see George Esparza.

11 According to Esparza, Jose Huizar also sent staff  
12 members to come after Esparza to ask to meet with Jose Huizar,  
13 and there were repeated text messages and attempts to reach  
14 George Esparza including through Justin Kim in the months  
15 leading up to the FBI searches of Jose Huizar's residence and  
16 offices.

17 THE COURT: So Esparza was no longer working  
18 with -- working for the City at that time?

19 MS. DRAGALIN: That is correct, Your Honor. In  
20 early 2018 George Esparza had left his employment as -- in  
21 Council District 14.

22 THE COURT: All right. So then the -- go back.  
23 I lost my train of thought here.

24 It appears, based upon the Government's theory or  
25 the Government's evidence which will be presumably testified to

1 by Mr. Kim who now has had the benefit and spent the \$200,000  
2 that was provided to him by Mr. Lee, there's a shortfall of  
3 this bribe of about \$100,000. Was there any effort by Mr. Kim  
4 to obtain the balance -- the remaining \$100,000 of the bribe  
5 payment from Mr. Lee or anyone else associated with Mr. Lee?

6 MS. DRAGALIN: Yes, Your Honor. In July 2017  
7 after the FBI had interviewed both Esparza and Kim, the two met  
8 in a car to discuss their respective FBI interviews. At that  
9 time Justin Kim asked George Esparza if Jose Huizar wanted his  
10 remaining \$100,000 cash from David Lee as agreed. At that  
11 time, because of law enforcement attention, George Esparza  
12 declined and said no.

13 However, Justin Kim decided to use that  
14 opportunity as a way to get an additional \$100,000 for himself.  
15 And so he met with Defendant Lee and told Defendant Lee that  
16 Huizar wanted the remaining \$100,000. Defendant Lee agreed to  
17 provide the additional \$100,000 to Justin Kim which Justin Kim  
18 kept for himself.

19 THE COURT: Mr. Lee -- I'm sorry. Mr. Kim, in  
20 effect, lied to Mr. Lee and ended up pocketing the remaining  
21 \$100,000 bribe payment?

22 MS. DRAGALIN: That is correct.

23 THE COURT: Is that a fair characterization?

24 MS. DRAGALIN: Yes, Your Honor.

25 THE COURT: All right. Give me a moment here.

1 I'm looking at my notes. So that it seems to me -- if there is  
2 anything additional that you think may be helpful, covers  
3 the -- in summary form the bribery scheme and the payment of  
4 the \$500,000. Is there anything else that would be helpful to  
5 understanding the bribery scheme that is alleged by the  
6 Government?

7 MS. DRAGALIN: Not the bribery scheme itself,  
8 Your Honor. But we do also have one count of obstruction of  
9 justice charge --

10 THE COURT: Right. I want to get to that, but I  
11 wanted to get to that after we concluded the bribery scheme  
12 because I know that that is alleged in Count 38. And I do want  
13 to discuss that because there is another substantive count  
14 which is Count 28 -- I'm sorry. Not 28 -- Count 25 which is  
15 the violation of Section 666(a)(2) which I think we pretty much  
16 covered, have we not?

17 MS. DRAGALIN: Yes, Your Honor. We have.

18 THE COURT: So we have the appeal being dropped,  
19 no money changing hands between Mr. Lee or Lobbyist C or  
20 Labor Organization A.

21 Let me ask what is the status of the Hill Street  
22 project? Did it ever get -- was it ever developed?

23 MS. DRAGALIN: No, Your Honor. Our understanding  
24 is it has not yet been -- construction has not commenced, and  
25 it has not yet been developed.

1                   THE COURT: So construction was never commenced  
2 on that project?

3                   MS. DRAGALIN: That is correct.

4                   THE COURT: All right.

5                   MS. DRAGALIN: And we believe after -- the  
6 entitlements were approved ultimately, and there were some  
7 efforts by Defendant Lee to sell the property after  
8 entitlements.

9                   THE COURT: Did it ever comply with the  
10 California environmental laws?

11                  MS. DRAGALIN: Since that appeal was dropped, it  
12 was no longer something that needed to be addressed by the  
13 company, and it proceeded in getting its approvals from the  
14 City.

15                  THE COURT: All right. Did the FBI execute a  
16 search warrant for Mr. Kim's phone in March of 2019?

17                  MS. DRAGALIN: Yes, Your Honor.

18                  THE COURT: What was -- what was the result of  
19 the -- what was captured from the forensic analysis of the --  
20 of his phone?

21                  MS. DRAGALIN: There were text messages between  
22 Justin Kim and George Esparza seized that matched the text  
23 messages seized from George Esparza's phone. There were  
24 additional text messages seized between Justin Kim and  
25 Defendant Lee as well as between Justin Kim and Jose Huizar,

1 various other individuals corroborating the allegations in the  
2 Indictment.

3 THE COURT: Was there any communication between  
4 Mr. Kim and Mr. Lee after the FBI executed the search warrant  
5 on March 5th, 2019, where Mr. Kim and Mr. Lee had a discussion  
6 about the FBI's search warrant?

7 MS. DRAGALIN: Yes, Your Honor. There were  
8 multiple conversations that took place after that date between  
9 Justin Kim and --

10 THE COURT: And what was the sum and substance of  
11 those conversations that Mr. Kim intends to testify about with  
12 respect to Mr. Lee?

13 MS. DRAGALIN: Your Honor, we expect not only  
14 Justin Kim's testimony regarding those conversations to be  
15 introduced at trial but also recordings of the conversations as  
16 well because Justin Kim began cooperating with the Government  
17 shortly after the search warrant was executed and, therefore,  
18 we have transcripts and recordings of the conversations between  
19 Defendant Lee and Justin Kim discussing his 940 Hill bribery  
20 arrangement and scheme.

21 THE COURT: Are those conversations in English,  
22 or are they in Korean?

23 MS. DRAGALIN: They were in Korean, Your Honor,  
24 and they have been translated into English.

25 THE COURT: Okay. Then let's conclude by talking

1 about the -- let me just make sure. Is it the Government's  
2 position that this Lobbyist C had no information or knowledge  
3 with respect to the payment -- the alleged payment of the  
4 bribe?

5 MS. DRAGALIN: At this time, Your Honor, we have  
6 no evidence to suggest that Lobbyist C had knowledge of the  
7 bribery agreement between Jose Huizar, George Esparza,  
8 David Lee, and Justin Kim.

9 THE COURT: All right. Well, then let's go to  
10 Count No. 38, and that count charges a violation of  
11 Section 1519.

12 Why don't you briefly summarize the evidence with  
13 respect to the falsification or alteration of the books and  
14 records of 940 Hill, LLC. The allegation is the accounting  
15 records and the tax records for calendar year 2018 were altered  
16 to -- with the intent to impede a grand jury investigation.

17 So who was responsible under the Government's  
18 theory for the alteration of those books and records, and were  
19 tax returns filed that falsely reported a \$500,000 business  
20 expense? And is the Government going to pursue any tax charges  
21 in this case?

22 MS. DRAGALIN: Yes, Your Honor. So the person  
23 responsible for making the alterations to those accounting  
24 records were David Lee instructing one of his employees who  
25 functioned as his in-house accountant to make those

1 alterations. There are contemporaneous communications showing  
2 that this employee was instructed by Defendant Lee to make  
3 those alterations after Defendant Lee had knowledge of the  
4 Government's investigation into this bribery scheme.

5 In particular, what the Government expects the  
6 evidence will show is that in early March 2019, as the Court  
7 mentioned, the Government executed a search warrant for  
8 Justin Kim's phone. In addition, on March 12, 2019, the FBI  
9 agents personally served a grand jury subpoena on Defendant Lee  
10 giving him knowledge of an ongoing investigation into  
11 940 Hill, LLC. Thereafter, a week later e-mail evidence shows  
12 that Defendant Lee then instructed his employee to make  
13 revisions to the tax filings that were due in April 2019 and  
14 that, over the course of the next few days, the instructions  
15 became more specific in how -- the amount to modify and how to  
16 represent the \$500,000 payment.

17 THE COURT: And were tax returns filed containing  
18 what the Government believes to be false information?

19 MS. DRAGALIN: Yes, Your Honor. 940 Hill, LLC,  
20 did submit a tax return in April 2019 with -- which included a  
21 line item for a \$500,000 expense.

22 THE COURT: Is the Government going to pursue  
23 charges against 940 Hill for the false return or Mr. Lee for  
24 aiding and abetting the preparation of a false return?

25 MS. DRAGALIN: At this time, Your Honor, we are

1 still investigating that aspect of the case. But at this time  
2 we do not anticipate bringing those tax charges.

3 THE COURT: And I take it -- correct me if I'm  
4 wrong -- that these accounting records, at least the accounting  
5 records were provided to the grand jury in response to the  
6 grand jury subpoena?

7 MS. DRAGALIN: Yes, Your Honor. We have copies  
8 of QuickBooks records, electronic accounting records which have  
9 metadata showing the dates that certain entries were made. And  
10 based on that information, the Government alleges that the  
11 accounting records were altered in April 2019.

12 THE COURT: Did Mr. Lee testify before the grand  
13 jury?

14 MS. DRAGALIN: Mr. Lee did not, Your Honor.

15 THE COURT: Was Mr. Lee represented by counsel in  
16 connection with the providing of this information to the grand  
17 jury?

18 MS. DRAGALIN: 940 Hill, LLC, was the entity that  
19 was subpoenaed for records, and it was represented by its  
20 current counsel.

21 THE COURT: Okay. Is there anything else that  
22 would be helpful to understanding the Government's allegations  
23 in Count 38?

24 MS. DRAGALIN: Just the recorded conversations  
25 between David Lee and Justin Kim, Your Honor, corroborate the

1 fact that Defendant Lee had an intent to obstruct the  
2 investigation and to hide the corrupt arrangement that was  
3 made, and those recorded statements also corroborate that  
4 David Lee had knowledge that the money and the arrangement  
5 connected directly to Jose Huizar.

6 THE COURT: All right. Anything else in terms of  
7 the Government's evidence either in terms of the bribery scheme  
8 or the substantive Count 38 that the Government wishes to add?

9 MS. DRAGALIN: No, Your Honor.

10 THE COURT: All right. Then let me ask a couple  
11 questions to hopefully assist Mr. Neuman.

12 Did the defendant make any post-arrest  
13 statements?

14 MS. DRAGALIN: No post-arrest statements,  
15 Your Honor.

16 THE COURT: Was -- did the defendant participate  
17 in any proffers?

18 MS. DRAGALIN: No, Your Honor.

19 THE COURT: And were any of the defendant's calls  
20 intercepted by the Government?

21 MS. DRAGALIN: No, Your Honor.

22 THE COURT: So the calls that you are referring  
23 to are all conversations that were consensually recorded by  
24 Mr. Kim or other cooperating witnesses?

25 MS. DRAGALIN: They were in-person meetings that

1 were recorded.

2 THE COURT: Okay. Were there any telephone calls  
3 that were recorded?

4 MS. DRAGALIN: No, Your Honor.

5 THE COURT: So all these were in-person meetings.  
6 Is it video or audio?

7 MS. DRAGALIN: Only audio.

8 THE COURT: Okay. And searches, were any search  
9 warrants executed either as to Mr. Lee or 940 Hill?

10 MS. DRAGALIN: No. Not as to those two  
11 defendants.

12 THE COURT: And what is the status of discovery?

13 MS. DRAGALIN: Your Honor, we met and conferred  
14 with defense counsel yesterday to facilitate the quick  
15 production of documents which are prepared and ready. Defense  
16 counsel has already sent a hard drive to the Government, and we  
17 will copy all of the discovery to produce. In addition, we are  
18 working through with this new defendant and additional ones  
19 regarding the protective order and signing on to be bound by  
20 the terms of the protective order entered in this agreement.  
21 So we expect discovery to be made shortly.

22 It is very voluminous as we will be making  
23 available to all defendants consistent discovery, meaning the  
24 discovery that has been produced to date to Jose Huizar will be  
25 made to the new defendants as well. And that is close to

1 2 million pages of discovery as well as thousands of files of  
2 audio recordings, wire interceptions, and various other  
3 voluminous files.

4 THE COURT: Mr. Lee is only involved in the  
5 Hill Street bribery?

6 MS. DRAGALIN: Correct, Your Honor.

7 THE COURT: All right. What's the -- is Mr. Lee  
8 a citizen?

9 MS. DRAGALIN: I believe he is, Your Honor.

10 THE COURT: All right. Mr. Neuman, I'm sure  
11 you're aware that the trial date in this matter is set for June  
12 of 2021, and there are various other dates for pretrial  
13 motions. What I am going to suggest to you is, as I suggested  
14 to Mr. Braun who represents Mr. Chan, is to take the next  
15 couple weeks and review the discovery in this case and then  
16 meet with all counsel to review those dates. And to the extent  
17 those dates are going to be problematic or difficult to meet,  
18 come to some agreement and submit that agreement to the Court  
19 if a continuance is going to be necessary.

20 Is that something that sounds fair?

21 MR. NEUMAN: Yes. Thank you, Your Honor.

22 I'm looking at the dates now from docket 63 and  
23 anticipate that some of them would be problematic.

24 THE COURT: Okay. So I am going to leave it up  
25 to Government counsel, Mr. Braun, and you as well as

1 Mr. Huizar's lawyers from the public defender's office to meet  
2 within the next couple of weeks to discuss the discovery and  
3 the dates that have been set.

4 We do -- there is -- I understand from  
5 Mr. Jenkins on Friday that apparently Co-defendant Mr. Huang,  
6 H-u-a-n-g, is not going to join us for this proceeding, and I  
7 forget -- maybe Mr. Jenkins can enlighten me or the prosecutor  
8 can enlighten me. We have Shen Zen New World One, LLC. Is  
9 that defendant going to be part of this case, and when is the  
10 PIA for that defendant because I don't want to -- I don't want  
11 to have all you folks get together and not have all the  
12 parties.

13 When is that PIA scheduled?

14 MS. DRAGALIN: It is scheduled for next Monday,  
15 December 14th, and we have been in contact with counsel  
16 representing the company.

17 THE COURT: I don't think it's going to be  
18 necessary to have a Trial Setting Conference in connection with  
19 that case unless Government thinks otherwise.

20 MS. DRAGALIN: Your Honor, counsel for the LLC is  
21 relatively new in representing the company. If they find it  
22 helpful, the Government is happy to have a Trial Setting  
23 Conference to go through some of the evidence that --  
24 especially evidence that was not covered on Friday in terms of  
25 trips to Las Vegas or any other things that have not already

1 been discussed in the most recent hearings, but I would leave  
2 it up to the Court.

3 THE COURT: All right. Well, I certainly think  
4 you can discuss that without the necessity of a -- without the  
5 necessity of a hearing.

6 It is correct that the individual defendant  
7 Mr. Huang is not going to -- he's currently in China and  
8 doesn't intend to participate in this case?

9 MS. DRAGALIN: As of right now that is our  
10 understanding, Your Honor.

11 THE COURT: I often have described that as  
12 exercising a defendant's jurisdictional objection by not  
13 showing up.

14 All right. Mr. Neuman, is Mr. Lee a citizen?

15 MR. NEUMAN: Yes, he is, Your Honor.

16 THE COURT: And what is his -- what is his --  
17 what bond was set?

18 MR. NEUMAN: A \$300,000 unsecured bond was set  
19 signed by his wife. Everything was taken care of and approved  
20 yesterday.

21 THE COURT: All right. I don't think I have  
22 anything else.

23 The -- let me ask you. Apparently you were  
24 representing at least the LLC in connection with the grand jury  
25 proceedings; is that correct?

1 MR. NEUMAN: That is, Your Honor.

2 THE COURT: So you have -- you're not new to this  
3 case. You have some degree of familiarity with the case at  
4 least as it existed back in 2019. The question I have, is  
5 there any dispute regarding the fact that the appeal was filed  
6 by the Labor Organization in August of 2016? It seems to me  
7 that's really not in dispute in this case.

8 MR. NEUMAN: Whether the appeal was filed? As  
9 far as I know, there is no dispute, but I want to obviously  
10 look at the Government's evidence before I concede anything.

18 MR. NEUMAN: Consistent with my understanding is  
19 that approximate timing is when the appeal was dropped.

20 THE COURT: Let me just go back for one minute.

1 hadn't received the \$200,000 portion of the bribe that was  
2 going to be paid to him because Mr. Esparza was holding on to  
3 the cash. You told me that ultimately Mr. Esparza gave it to  
4 whoever this individual was, executive director.

5                   But did Mr. -- I thought somewhere I had read  
6 that Mr. Huizar decided that, although he was wondering where  
7 his share was, that he ultimately concluded that, because of  
8 the FBI investigation, that he didn't want any part of the  
9 \$200,000. Am I misremembering that?

10                  MS. DRAGALIN: Your Honor may be thinking about  
11 the false statements charged against Jose Huizar in which he  
12 represented to the Government during proffer interviews that he  
13 did not want any share of the \$200,000. The Government alleges  
14 that those were false statements because his actions throughout  
15 the time period were consistent with someone who continuously  
16 attempted to get the \$200,000.

17                  THE COURT: So he never gave up on his efforts to  
18 obtain the \$200,000 from Mr. Esparza?

19                  MS. DRAGALIN: Correct. In October 2018 he was  
20 still engaging in multiple efforts to get that money from  
21 George Esparza, and just a month later the Government executed  
22 search warrants on November 7, 2018, after which time  
23 Mr. Huizar's behavior changed.

24                  THE COURT: So what I will do in the next couple  
25 days, Mr. Neuman, is I'm going to issue the Criminal Trial

1 Order which I'm certain that you are familiar with, but I am  
2 only going to include in there the current trial date. I'm not  
3 going to list all the other dates.

4                         Based on our conversation this morning, I will  
5 expect that you and other defense counsel will meet with the  
6 Government hopefully by the end of December -- or early January  
7 may be more realistic -- come up with some indication as to  
8 whether or not the dates are going to work or, if they are not  
9 going to work, what proposal everyone is making in terms of any  
10 new dates.

11                         MR. NEUMAN: Understood, Your Honor.

12                         THE COURT: All right. Anything else from  
13 Mr. Neuman? I know I didn't hear too much from you, but I hope  
14 this was helpful to you in understanding what the Government's  
15 theory is.

16                         MR. NEUMAN: It was. Thank you, Your Honor.

17 Obviously we have a lot to digest and things to talk about with  
18 the Government and my client, and we will come back to the  
19 Court if appropriate.

20                         THE COURT: All right. Anything else from the  
21 Government?

22                         MS. DRAGALIN: No, Your Honor. Thank you.

23                         THE COURT: All right. Then we will close the  
24 record, and thank you very much. Everybody stay safe, and  
25 hopefully we will be able to see each other in person sometime

1 after we get vaccinated. I guess -- in any event, we will  
2 close the record.

3 MS. DRAGALIN: Thank you, Your Honor.

4 MR. NEUMAN: Thank you, Your Honor.

5 MR. JENKINS: Thank you, Your Honor.

6 (Proceedings concluded at 9:09 a.m.)

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19

MIRANDA ALGORRI, CSR NO. 12743, CRR  
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